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2 November 1983

MEMORANDUM FOR:

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FROM :

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SUBJECT : Talking Points on Philippines and Argentina Financial Conditions

Philippines

1. Trade finance appears to be presently the most critical financial problem.
 - o Commercial banks are refusing to release foreign exchange for trade transactions.
 - o Philippine and foreign banks have cut back issuance of letters of credit out of concern for unavailability of foreign exchange.
 - o Philippine commercial banks are required to turn over 80 percent of foreign exchange receipts from trade to the Central Bank, which in turn will allocate currency only for 400 commodities on approved list.
 - o Embassy sees serious halt in imports within a few weeks; imminent rationing of 80-day oil stocks.
2. The political situation is still highly unsettled:
 - o Prime Minister Virata, whom Marcos has just announced would assume Presidential duties if he is incapacitated or dies, offered his resignation on 20 October after run-in with Philippines Ambassador to US Romualdez, who is Imelda Marcos' brother. Ambassador has been highly critical of IMF austerity measures. Imelda's family could be trying to eliminate a possible rival for future Presidency.
 - o Military is preparing more aggressive counterinsurgency plans for possible increase in leftist action.
 - o Embassy believes Marcos does not appreciate breadth and depth of opposition, but could salvage situation by agreeing to church, business, and political leaders' congruent demands for honest elections, breakup of monopolies, restoration of free press, resignation of Air Force General Ver, who was in charge of airport security during the Aquino assassination, and resumption of Aquino commission work.

Argentina

1. There have been no unusual developments in Argentina since the 30 October election that have not been reported in the NID this week. We have yet to detect much banker reaction one way or the other.

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Argentina - continued -

- o In our judgment, the Radical Party wants to move ahead quickly on a debt rescheduling agreement. At the least, they will need to head off having US commercial bank loans classed as nonperforming, which would occur in December.
- o The Radicals have, however, said they will demand some easing of terms.



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